

1. INTRODUCTION

The Board of Directors ("**the Board**") of Scomi Group Bhd ("**the Company**" or "**Scomi**") is responsible and accountable for governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to our aim of realizing potential for our shareholders and other stakeholders. Towards this end, the Board strives to ensure that the Company and its subsidiaries ("**the Group**") practice the highest standards of corporate governance.

The conduct of the Board is governed by the Companies Act 1965 ("**CA**"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**LR**"), the Capital Markets and Services Act 2007 ("**CMSA**") and the Memorandum and Articles of Association ("**M&A**") of the Company.

2. PURPOSE

This Board Charter sets out the role and responsibilities, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members. In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

3. THE BOARD

3.1 Board Membership

3.1.1 Composition

The Board shall ensure that its composition reflects a diversity of backgrounds, skills, experience and knowledge in the areas of business, economics, finance, legal, general management and strategy as may be required to facilitate the decision making of the Company.

The Articles of Association of the Company provides for a minimum of two (2) directors and a maximum of 12 directors. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors, who are to provide independent judgment, experience and objectivity to the Board considerations so that the interests of all shareholders are taken into account by the Board. Subject to the Company's Policy on Board Composition, the tenure of an Independent Director shall not exceed a cumulative term of 9 years.

The Directors shall elect a Chairman among themselves who shall be a Non-Executive Director.

The Board shall appoint a Senior Independent Director who shall serve as the point of contact between the Independent Directors and the Chairman on sensitive issues and to act as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channels of communication with shareholders.

The Board shall examine the composition and size of the Board from time to time to ensure its effectiveness.

3.1.2 Appointments and Re-election

Based on the recommendations of the Nomination and Remuneration Committee of the Board ("**NRC**"), the Board shall have power at any time and from time to time, to appoint any person to be a director of the Company, either to fill a casual vacancy or as an addition to the existing Board but so the total number of directors shall not at any time exceed the maximum number fixed in the Articles of Association of the Company.

In making these recommendations, the NRC shall ensure an effective process for the selection of new directors to the Board. The NRC shall review and assess the proposed appointment of new directors in terms of the appropriate balance of skills, expertise, attributes and core competencies, and thereupon make the appropriate recommendations to the Board for approval. Such evaluation criteria shall ensure that all candidates are fairly and equitably evaluated irrespective of, amongst others, sex, race, sexual orientation, age, disability, and religion or ethnic origin in compliance with the Company's Code of Conduct.

Any newly appointed directors shall hold office until the next following Annual General Meeting ("**AGM**") of the Company, and shall then be eligible for re-election.

The Articles of Association of the Company provides that one-third (1/3) of the Board shall retire and be eligible for re-election at every AGM of the Company. A retiring director shall retain office until the close of the annual general meeting of the Company at which he retires.

3.1.3 Independence of Directors

The Board, through the NRC, shall assess the independence of the directors annually, taking into consideration interests disclosed by the Directors and having regard to the criteria for assessing the independence of Directors under the annual Board Assessment.

3.1.4 New Directorship

Each director shall from time to time be entitled to nominate any person (not being a director of the Company) to act as his alternate director and, at his discretion, to remove such alternate director. The appointment of such alternate director shall be approved by a majority votes of the Board.

If a director making such appointment ceases to be a director of the Company, the person appointed by him shall thereupon cease to have any power or authority to act as an alternate director.

The appointed alternate director shall be entitled to receive notices of all meetings of the Board and to attend, speak and vote at the meetings of the Board at which his appointor is not present.

Any fee paid by the Company to an alternate director shall be deducted from that director's remuneration.

3.1.5 New Directorships

All Board members shall notify the Chairman of the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

3.2 Role of the Board

3.2.1 Duties and Responsibilities

The Board's role is to govern and set the strategic direction of the Company, whilst the Management manages the Group in accordance with the strategic direction and delegations of the Board. The responsibility of the Board is to oversee the activities of the Management in carrying out these delegated duties.

The Board assumes, amongst others, the following principal responsibilities in discharging its stewardship role and fiduciary and leadership functions:-

- (1) reviewing and adopting a strategic plan for the Company and the Group, and subsequently monitoring the implementation of the strategic plan by the Management to ensure sustainable growth and optimization of returns for the Company and the Group;
- (2) overseeing and evaluating the conduct and performance of the Company and the Group's business;
- (3) evaluating principal risks of the Company and the Group and ensuring the implementation of appropriate risk management and internal control systems to manage these risks;
- (4) reviewing the adequacy and the integrity of the Company and the Group's risk management and internal control systems;
- (5) overseeing management performance and ensure a sound succession plan for key positions within the Company;
- (6) providing input and overseeing the development and implementation of the investor relations and shareholder communications policy and programme for the Company and the Group; and
- (7) reviewing the adequacy and the integrity of the management information of the Company and the Group.

3.2.2 Matters Reserved for the Board

The following are matters which are specifically reserved for the Board:-

- (1) corporate exercise;
- (2) delegated authority limits of the Management;

- (3) change is group corporate structure and major business investment proposal, including investment of new business, divestment of existing business and joint ventures;
- (4) establishment of policies and procedures;
- (5) corporate strategic plan and annual budget;
- (6) acceptance of credit facilities and provision of the corporate guarantee;
- (7) quarterly financial results and annual audited account of the Company;
- (8) declaration of bonus to employees;
- (9) implementation of the voluntary separation scheme and/or retrenchment plan, if any;
- (10) amendments to the terms of reference of the Board Committees;
- (11) appointment and/or removal of Company Secretary;
- (12) appointment and/or removal of Internal Auditors and their remuneration;
- (13) related party transaction, recurrent related party transaction and matters involving any conflict of interest relating to a substantial shareholder or director;
- (14) annual evaluation of the performance of the Chief Executive Officer (“CEO”); and
- (15) succession planning of the CEO.

3.2.3 Role of the Non-Executive Directors

The key roles of the Non-Executive Directors include:

- (1) constructively challenge and contribute to the development of strategy, in particular, providing an independent point of view;
- (2) monitor the performance of the CEO in meeting agreed goals and objectives and ensure that the necessary financial and human resources are in place to enable the Group to meet those objectives;
- (3) satisfy themselves as to the adequacy and integrity of financial and non-financial reporting to the Board and that systems of internal control and risk management are robust and defensible; and
- (4) promote the highest standards of corporate governance.

3.3 Role of the Chairman and the CEO

The role of the Chairman and the CEO are distinct and separate with each having a clear scope of duties and responsibilities to ensure there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the CEO has overall responsibility for the day-to-day management of the business and implementation of the Board’s policies, directives, strategies and decisions.

The Chairman of the Board shall:

- (1) lead the Board and ensure its effectiveness in discharging its responsibilities;
- (2) ensure the efficient conduct of the Board’s function and meetings;
- (3) facilitate the effective contribution of all Directors at Board meetings;

SCOMI GROUP BHD (571212-A)
BOARD CHARTER

- (4) promote constructive and respectful relations between Directors, and between the Board and Management;
- (5) ensure the proper and timely flow of information to the Board;
- (6) ensure effective communication between the Board and the Management with shareholders, stakeholders and the public generally.

The responsibilities of the CEO, amongst others, are as follows:-

- (1) to develop and implement corporate strategies and policies for the Group as approved by the Board;
- (2) to supervise heads of divisions and functions who are responsible for contributing to the success of the Group;
- (3) to ensure the efficiency and effectiveness of the operations of the Group;
- (4) to ensure that the assets of the Group are adequately maintained and protected, and not unnecessarily placed at risk;
- (5) to assess the benefits and risks of potential business opportunities for the Group;
- (6) to bring material and other relevant matters to the attention of the Board in an accurate and timely manner;
- (7) to act within the authority delegated to him by the Board;
- (8) maintain a clear reporting lines to ensure adequate and defined channels of reporting between the Board, CEO and the Management; and
- (9) foster a positive corporate culture that promotes ethical practices, encourages individual integrity and fulfils social responsibility to attract, retain and motivate a diverse group of top-quality employees at all levels.

3.4 Board Committees

The Board may from time to time establish Board committees as it considers appropriate to assist in carrying out its duties and responsibilities. The committees shall operate within clearly defined written terms of reference as approved by the Board. The Board shall review such terms of reference from time to time to ensure their relevance. The terms of reference may authorise a committee to act on behalf of the Board or to make recommendations to the Board. Notwithstanding the authority granted to a committee under its terms of reference, ultimate responsibility for decision-making lies with the Board.

The Board has set up and approved terms of reference (which are available for reference at the Company's website at <http://www.scomigroup.com.my>) for the following committees:

- (i) Audit and Risk Management Committee;
- (ii) Nomination & Remuneration Committee; and
- (iii) Options Committee.

The minutes of the Board Committees' meetings and circular resolutions passed shall be presented to the Board for information. The Chairman of the respective Board Committees shall also report to the Board on the key issues deliberated by the Board Committees at its meetings.

3.5 Board Meetings

The Board shall meet at least six (6) times a year, with special meetings of the Board convened as and when necessary. The quorum for Board meetings shall be four (4) directors and any directors in telephonic communication with such meeting shall be counted in the quorum. Participation via telephone or video-conference is permitted. However, personal attendance of the meetings is encouraged.

The agenda of each scheduled Board meeting shall be circulated by the Company Secretary to all Board members at least five (5) days prior to the Board meeting. Board meeting papers should be made available to all Board members at least five (5) days prior to the Board meeting. If there is a unanimous consent by the members of the Board present in the meeting, a short notice shall suffice.

The agenda and Board meeting papers for any special meetings of the Board shall be circulated to all Board members as soon as practicable but not less than two (2) days prior to the Special meeting of the Board.

The schedule of meetings of the Board and its Committees as well as the annual general meeting shall be prepared and circulated to the Board before the beginning of the year to facilitate the directors in planning ahead.

Each member of the Board is entitled to one (1) vote in deciding the matters deliberated in the Board meeting. Decisions of the Board shall be by majority of votes. In case of an equality of votes, the Chairman of the Board shall have a second or casting vote.

The minutes of the Board meeting shall be circulated to the Board members for comments and approval at the subsequent meeting of the Board.

A resolution in writing signed or approved by a majority of the directors who may at the time be present in Malaysia and who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Board duly called and constituted; provided that where a director is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. All such resolutions shall be described as "Directors' Circular Resolution" and shall be forwarded or otherwise delivered to the Company Secretary without delay, and shall be recorded by the Company Secretary in the Company's minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more directors or their alternates.

Where necessary, the senior management or external consultants will be invited to brief and assist the Directors in their deliberations.

3.6 Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, including other price sensitive public reports and reports submitted to regulators, the Board shall aim to present a balanced and understandable assessment of the Group's position and prospects.

The Board shall ensure that the financial statements are prepared in accordance with the Companies Act and applicable approved accounting

reporting standards, so as to give a true and fair view of the state of affairs of the Group and the Company.

3.7 Directors' Disclosure

A director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

Every director shall comply with the provisions of Sections 131 and 135 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interest might be created in conflict with his duty or interest as a director of the Company.

A director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest, nor shall he be counted for the purpose of any resolution regarding the same, in the quorum of the meeting.

3.8 Directors' Assessment

A separate performance assessment for each individual director, taking into consideration their competencies, qualification, character, commitment, integrity, experience, contribution, performance and time expended in meeting the needs of the Group, shall be undertaken annually by the NRC.

The assessments and evaluations carried out by the NRC shall be properly documented, summarised and reported to the Board.

3.9 Directors' Remuneration

The non-executive directors shall be paid by way of fees for their services, as shall from time to time be determined by the Company in general meeting. The non-executive directors shall be reimbursed for all their travelling, hotel and other expense properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending the meetings of the Board or any Board Committees of the Company. The non-executive directors are also entitled to options under the Company's ESOS as was approved by the shareholders of the Company.

The remuneration of the CEO comprises principally salary and other benefits, taking into consideration market rates and practices. Additionally, the CEO is also entitled to share options under the Company's ESOS, which were exercisable until the expiry date of the scheme.

The Board is assisted by the NRC in assessing and recommending suitable remuneration for the non-executive directors and the CEO.

3.10 Directors' Induction and Continuing Development

The NRC shall ensure that an appropriate induction is provided to the newly appointed directors in order for him to familiarise himself with the Group's organisational structure, strategic plans, significant financial, accounting and risk issues and other important matters and will become as effective as possible in his role within the shortest practicable time.

In addition to the Mandatory Accreditation Programme as required under the LR, the Board, through the NRC, shall assess the training needs of the directors from time to time and to ensure that its members continue to update their knowledge and enhance their skills through appropriate continuing education programme and lifelong learning. This will enable directors to fulfil their responsibilities to the Company and enhance their contributions to board deliberations.

4. COMPANY SECRETARY

The Company Secretary plays an important advisory role and is the source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board shall appoint someone who is capable of carrying out the duties to which the post entails, and the removal of the Company Secretary shall be a matter for the Board as a whole.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board.

The specific responsibilities of the Company Secretary are as follows:-

- (1) advise the Board and Management on governance issues;
- (2) ensure compliance with listing and related statutory obligations;
- (3) attend Board, Committees and general meetings, and ensure the proper recording of minutes;
- (4) ensure proper upkeep of statutory registers and records;
- (5) assist Chairman in the preparation for and conduct of meetings;
- (6) assist Chairman in determining the annual Board plan and the administration of other strategic issues; and
- (7) assist in the induction of new directors, and continuously update the Board on changes to listing rules, other related legislations and regulations.

5. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Every Director shall have full and unrestricted access to information within the Group. Where required, the Board and its Committees may seek independent professional advice, the cost of which is borne by the Company. The Board may also seek advice from the Management or request further explanation, information or update on any aspect of the Group's operations or business concerns.

In addition, the Directors have full and unrestricted access to the advice and dedicated support services of the Company Secretary(ies).

6. CODE OF CONDUCT

In discharging its duties and responsibilities, the Board shall be guided by the Code of Conduct of the Group, which provides the framework to ensure that the Group conduct itself in compliance with laws and ethical values.

The Code of Conduct is available on the Company's website at www.scomigroup.com.my.

7. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board shall ensure that all the shareholders of the Company are treated equitably and the rights of all investors are protected. The Board shall provide its shareholders and investors with comprehensive, accurate and quality information on a timely and non-selective basis, in order to keep them abreast of all material business matters affecting the Company and the Group.

In this regards, the Board shall ensure that the Company:

- (1) immediately announces any material information;
- (2) immediately announces the occurrence of events prescribed under the LR;
- (3) immediately announces transactions which trigger the prescribed materiality threshold;
- (4) announce, on a periodic basis, its financial statements and annual audited financial statements and annual report;
- (5) conduct regular dialogues with the fund managers, institutional investors and investment analyst as well as the media, not only to promote the dissemination of the financial results of the Company and the Group but also to keep them updated on the progress and development of the Group's business and prospects; and
- (6) maintains its own website which is current, informative and contains all information such as all announcements made to Bursa Securities and the contact details of the Company's designated person to enable the public to forward queries.

The AGM is the principal forum for dialogue with shareholders. At each AGM, a presentation is given by the CEO to explain the Group's strategy, performance and major developments to shareholders. The Board also encourages shareholders to participate in the question and answer session at the AGM.

Before the commencement of any general meetings of the shareholders, the directors are encouraged to take the opportunity to engage directly with the shareholders to account for their stewardship of the Company.

The CEO shall be the authorised spokesperson of the Company and is responsible for all shareholder correspondence and communications. The

SCOMI GROUP BHD (571212-A)
BOARD CHARTER

CEO or any staff delegated by him shall ensure that all enquiries are responded accordingly within reasonable time frame.

8. REVIEW OF THE BOARD CHARTER

This Board Charter was adopted by the Board of Directors of Scomi Group Bhd on 8 January 2014. Any subsequent amendment to the Charter can only be approved by the Board.

The Board Charter shall be periodically reviewed and may be amended by the Board as it deems appropriate.

The Board Charter is available on the Company's website at www.scomigroup.com.my.